

# Utah Money Management Council

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mmcouncil@utah.gov



MONEY MANAGEMENT COUNCIL MEETING  
THURSDAY MAY 26, 2016  
AT THE UTAH STATE TREASURER'S OFFICE  
350 NORTH STATE STREET  
SUITE 180  
3:00 PM

## A G E N D A

1. INTRODUCTION OF NEW COUNCIL MEMBERS-VOTE FOR NEW CHAIR AND VICE CHAIR
2. ADOPT ROBERTS RULES
3. APPROVAL OF MINUTES OF MARCH 17, 2016
4. MONTHLY REPORTS
  - A) Division of Securities
  - B) Department of Financial Institutions
  - C) Deposit and Investment report update
5. LETTER FROM PIPER JAFFRAY
5. RULE 10-RATING REQUIREMENTS TO BE A PERMITTED DEPOSITORY
6. OTHER BUSINESS AS NEEDED
7. SCHEDULE NEXT MEETING AND ADJOURN

In compliance with the Americans with Disabilities Act, individuals needing special accommodations during this meeting should notify Kathy Wilkey, Administrative Assistant, at Room 180 State Capitol Building, (801) 538-1468.

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**STATE MONEY MANAGEMENT COUNCIL-MINUTES**  
**THURSDAY MARCH 17, 2016**

The regular meeting of the State Money Management Council was held in the Offices of the Utah State Treasurer, 350 North State Street, Suite 180, at 3:00 p.m., Thursday March 17, 2016. In attendance were:

Kirt Slaugh, Chair  
John Bond, Vice Chair  
Marina Scott  
David Damschen, State Treasurer  
Christine Brandt, State Investment Officer  
Ann Pedroza, Staff  
Tom Bay, Division of Financial Institutions  
Michael Green, Attorney General's Office  
Michele Black, Securities Division  
Jason Williams, Moreton Asset Management  
Larry Lundberg, Moreton Asset Management  
Ben Byington, Moreton Capital Markets  
Brandon Hodge, Moreton Capital Markets  
Scott Burnett, Zions Capital Markets  
Diane Veltri, Zions Capital Markets

**State Treasurer/State Investment Officer**

Mr. Damschen thanked Council members for their service to the state and the public. In response to questions generated in the last meeting, Mr. Damschen then discussed with the Council the information posted on the website regarding the PTIF noting that rates paid on the PTIF are shown for the last twenty years. Additionally, there is a quarterly summary that shows weighted average maturity, and some sector data regarding the investments in the PTIF. Mr. Damschen encouraged every member to have a copy of the Act with them for reference when attending meetings. He then informed the Council that in listening to the recording of last month's meeting, he noted that the meeting was disorderly and members talked over other people. He encouraged Council members to allow other members to complete sentences and raise their hands if they have a comment. Mr. Damschen then noted for the Council that Ms. Pedroza is Council's staff and her primary duties are to the Council. Mr. Damschen noted that Ms. Brandt had a death in the family but that the office chose to go ahead with providing the report and should have waited until Ms. Brandt was available for questions. In response to questions raised in the last meeting, Mr. Damschen noted that the report is provided and it is generated on Bloomberg as the Council had requested the composite rating in past reviews. This creates a dilemma because that report has ratings on it that are not allowed to be published by the rating agency by other sources because of copyright issues. Mr. Damschen noted for the Council the requirements in the Act as to who public treasurers can purchase through and noted that the PTIF does not use advisers. With regards to the questions about the Council's role, he noted that the Council is advisory and discussed what that looked like with the Council noting examples in the past when the Council made inquiries to the State Treasurer regarding another fund that the office invested. He noted that the Council's role is important and appreciated. In reference to a question brought up in the last meeting, Mr. Damschen noted that the State Auditors' Office audits the Treasurer's office every year and there has not been an exception for eight plus years and that the Act has no special considerations for the State Treasurer and his office must follow

the Act as every other public treasurer does. Mr. Damschen noted that the audit report and the Deposit and Investment report are available in the office for anyone to come and look at.

Ms. Brandt then reviewed the issues of the portfolio that were brought up in the last meeting. She informed the Council that participation in the PTIF is completely voluntary and treasurers are welcome to invest on their own. She also noted that the State Treasurer's office relies on the Money Management Act and they invest exactly as any other public treasurer does. Ms. Brandt informed the Council that in addition to the shopping list in 51-7-11 which is adhered to, they will not purchase any investment that is not issued for \$250 million or more. The office has a Bloomberg, the Wall Street Journal, Standard and Poors and Moody's subscriptions. Additionally, Ms. Brandt is patched in every morning at 5:30 a.m. with a call that reviews the previous day's markets and what happened overseas during the night as it affect the markets. Ms. Brandt noted for the Council that their investment policy limits average investment life to 90 days and currently that is at 55 days, and weighted average life is just under one year. All expenditures are funded and public treasurers notify the PTIF of their needs also. She informed the Council that she has one billion dollars in money market mutual funds for daily liquidity and an additional two to three billion dollars maturing within the next 90 days to cover those needs. She informed the Council that 80 to 90 percent of debt issued in the fixed income markets is financial debt. Additionally, it is not possible to go directly to corporations and purchase their debt, they work with investment bankers to issue debt and those bankers then work with the dealer community to sell it. Ms. Brandt then briefly discussed current trends in the markets and the fact that they are working to decide what they will do as money funds have now been changed.

#### **Minutes of February 18, 2016 Meeting**

The minutes of the February 18, 2016 meeting were approved unanimously.

#### **Monthly Reports**

##### **Securities Division:**

Ms. Black informed the Council that BNP Paribas deleted two agents from the Certified Dealers list and Wells Fargo deleted four agents. Wells Fargo added several new agents, as did Moreton Capital Markets. Ms. Black informed the Council that there were no changes to the Certified Investment Advisers list. Council reviewed the lists briefly.

##### **Financial Institutions' Report:**

Mr. Bay reviewed the April 1, 2016 quarterly certification of public funds allotments for Qualified Depositories. He informed the Council that Zions Bank's allotment has gone up substantially as they consolidated all their banks into the Utah bank charter which increased their total assets and capital. Council discussed the report briefly.

Mr. Bay then reviewed the February monthly report with the Council noting that Gunnison Valley Bank was using 93% of their uninsured public funds allotment and that he periodically sends a reminder to the bank to stay under the allotment. Council reviewed the report briefly.

##### **Deposit and Investment report update:**

Ms. Pedroza noted that there were 75 reports outstanding for the report date of December 31, 2015. Ms. Pedroza then reviewed the report from the University of Utah for Rule 20 Foreign Deposits. Council reviewed the report briefly.

**Reports with issues:**

Ms. Pedroza then reviewed a letter sent out to Solitude Improvement District regarding an investment adviser account and investments in that account that do not meet the investment criteria of the Act. Ms. Pedroza also reviewed a report from the Winter Sports Academy, a new charter school that listed an adviser account with a non-certified investment adviser she has followed up with him to clarify what type of investment they have and will keep the Council updated.

**Acceptance of Reports:**

It was motioned and seconded, and all of the above reports were accepted unanimously.

**Update on Bill Status**

Mr. Damschen informed the Council that the bill did not pass and it will be sent up next year to make the changes. Mr. Slauch inquired as to how this affects Utah Local Governments Trust and Ms. Pedroza noted that they will have to come in again in June with a request for an exemption. Council discussed this briefly.

**Other Business**

Ms. Pedroza discussed briefly that she would like to start sending out the packets by e-mail to Council members. Council agreed and Mr. Green noted that he would work with her on some of the information.

**Schedule Next Meeting**

The Council then scheduled the next regular meeting for April 21, 2016 at 3:00 p.m. \*(Canceled and moved to May). With no other business before the Council, they adjourned at 4:09 p.m.



GARY R. HERBERT  
*Governor*

SPENCER J. COX  
*Lieutenant Governor*

State of Utah  
Department of Commerce  
Division of Securities

FRANCINE A. GIANI  
*Executive Director*

THOMAS A. BRADY  
*Deputy Director*

KEITH WOODWELL  
*Director, Division of Securities*

TO:	<b>Money Management Council</b>
FROM:	<b>Michele Black, Division of Securities</b>
RE:	<b>Deletions List Certified Dealer</b>
DATE:	<b>May 26, 2016</b>

The following agents and firms have been deleted from the existing list for conducting investment transactions with public treasures pursuant to rule 16 of the State Money Management Council.

**Morgan Stanley**

Agents: F. Barton Reuling



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KEITH WOODWELL  
*Director, Division of Securities*

TO:	<b>Money Management Council</b>
FROM:	<b>Michele Black, Division of Securities</b>
RE:	<b>Deletions to the Certified Investment Adviser List</b>
DATE:	<b>May 26, 2016</b>

The following agents and firms have been deleted to the existing list for conducting investment transactions with public treasures pursuant to rule 15 of the State Money Management Council.

**Morgan Stanley**  
Investment Adviser  
Representatives:

John Hallgren  
F. Barton Reuling

12/31/15  
Late D&I Reports  
As of 5/26/16

Lewiston City  
Mendon City

East Garland Cemetery

Utah League of Cities & Towns  
Utah Municipal Finance Agency

Park City Education Foundation

Beaver Fire Dist #1  
Beaver Co Waste Mgt SSD #5  
Fruitland Water Improv Dist  
Leeds Area SS Dist  
New Harmony Valley SS Dist  
North Sanpete Ambulance Service  
Summit County Serv Area #5  
Weber Human Services  
White Hills SS Dist

Alton Town  
Elwood Town  
Emery Town  
Scipio Town

Utah College of Applied Tech

Bristlecone Water Imp Dist  
Perry City Flood Control  
Corinne Drainage Dist #1  
E. Duchesne Culinary Wtr Imp Dist  
East Lewiston Drainage Dist #4  
Elwood Drainage Dist  
Iowa String Drain Dist  
Millard Co Drainage Dist #2  
Tremonton-Garland Area Drain Dist

Aristotle Academy  
Renaissance Academy  
Wasatch Institute of Technology



MMCOUNCIL Treasurer <mmcouncil@utah.gov>

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## RE: Deposits and Investments Report - The Winter Sports School

1 message

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WSS | A Jensen <ajensen@wintersportsschool.org>  
To: MMCOUNCIL Treasurer <mmcouncil@utah.gov>

Wed, May 25, 2016 at 2:16 PM

Ann,

Thank you for following up, I must have missed your last email dated back in March. We will go ahead and transfer the cash funds out of our Fidelity Money Market account and into one of our restricted savings accounts with US Bank. I will make that transfer before the holiday weekend. Thank you for your assistance and patience with us.

Regards,

Alex Jensen

**From:** apedroza@utah.gov [mailto:apedroza@utah.gov] **On Behalf Of** MMCOUNCIL Treasurer  
**Sent:** Wednesday, May 25, 2016 12:45 PM  
**To:** WSS | A Jensen <ajensen@wintersportsschool.org>  
**Subject:** Fwd: Deposits and Investments Report - The Winter Sports School

Alex,

I am following up with you on this issue. Have you been able to find the information requested or have you been able to liquidate this account?

Thanks,

Ann

----- Forwarded message -----

**From:** MMCOUNCIL Treasurer <mmcouncil@utah.gov>  
**Date:** Mon, Mar 14, 2016 at 4:51 PM  
**Subject:** Re: Deposits and Investments Report - The Winter Sports School  
**To:** WSS | A Jensen <ajensen@wintersportsschool.org>

Alex,



**R628. Money Management Council, Administration.**

**R628-10. Rating Requirements to Be a Permitted Depository.**

**R628-10-1. Purpose.**

This rule establishes a uniform standard for public treasurers to evaluate the financial condition of Permitted depository institutions to determine if acceptance of Utah public funds by those institutions would expose public treasurers to undo risk. The criteria is applicable to all Permitted Depository institutions to determine if they are eligible to accept deposits of Utah public funds.

The criteria established by this rule is designed to be flexible enough to ensure that public treasurers will be able to receive competitive market rates on deposits placed outside this state while maintaining sufficient protection from loss.

**R628-10-2. Authority.**

This rule is issued pursuant to Sections 51-7-17(4) and 51-7-18(2) (b) (iv).

**R628-10-3. Definitions.**

The terms used in this rule are defined in Section 51-7-3.

**R628-10-4. Rating Requirements for Permitted Depositories.**

(1) The Permitted depository must meet the following criteria to accept deposits from Utah public entities:

(a) The depository must be federally insured;

(b) the total assets of the Permitted depository must equal \$5 billion or more as of December 31 of the preceding year, and;

(c) fixed rate negotiable deposits which meet the criteria of Section 51-7-11(3)(f) must, at the time of investment, have the equivalent of an "A" or better short term rating by at least two NRSRO's, one of which must be Moody's Investors Service or Standard and Poor's, or:

(d) variable rate negotiable deposits which meet the criteria of Section 51-7-11(3)(m) must, at the time of investment, have the equivalent of an "A" or better, long term rating, by at least two NRSRO's, one of which must be Moody's Investors Service or Standard and Poor's.

(2) Permitted depository institutions whose ratings drop below the minimum ratings established in R628-10-4(1) above, are no longer eligible to accept new deposits of Utah public funds. Outstanding deposits may be held to maturity, but may not be renewed and no additional deposits may be made by any public treasurer.

**R628-10-5. Restrictions on Concentration of Deposits in any One Permitted Depository Institution.**

The maximum amount of any public treasurer's portfolio which can be invested in any one Permitted depository institution shall be as follows:

(1) Portfolios of \$10,000,000 or less may not invest more than 10% of the total portfolio with a single issuer.

(2) Portfolios greater than \$10,000,000 but less than \$20,000,000 may not invest more than \$1,000,000 in a single issuer.

(3) Portfolios of \$20,000,000 or more may not invest more than 5% of the total portfolio with a single issuer.

The amount or percentages used in determining the amount of permitted deposits a treasurer may purchase, shall be determined by the book value of the portfolio at the time of purchase.

**KEY:** public investments, banking law, depository, professional competency

**Date of Enactment or Last Substantive Amendment:** August 27, 2001

**Notice of Continuation:** April 11, 2011

**Authorizing, and Implemented or Interpreted Law:** 51-7-17(3);  
51-7-18(2) (b)

**51-7-11 Authorized deposits or investments of public funds.**

(1)(a) Except as provided in Subsections (1)(b) and (1)(c), a public treasurer shall conduct investment transactions through qualified depositories, certified dealers, or directly with issuers of the investment securities.

(b) A public treasurer may designate a certified investment adviser to make trades on behalf of the public treasurer.

(c) A public treasurer may make a deposit in accordance with Section 53B-7-601 in a foreign depository institution as defined in Section 7-1-103.

(2) The remaining term to maturity of the investment may not exceed the period of availability of the funds to be invested.

(3) Except as provided in Subsection (4), all public funds shall be deposited or invested in the following assets that meet the criteria of Section 51-7-17:

(a) negotiable or nonnegotiable deposits of qualified depositories;

(b) qualifying or nonqualifying repurchase agreements and reverse repurchase agreements with qualified depositories using collateral consisting of:

(i) Government National Mortgage Association mortgage pools;

(ii) Federal Home Loan Mortgage Corporation mortgage pools;

(iii) Federal National Mortgage Corporation mortgage pools;

(iv) Small Business Administration loan pools;

(v) Federal Agriculture Mortgage Corporation pools; or

(vi) other investments authorized by this section;

(c) qualifying repurchase agreements and reverse repurchase agreements with certified dealers, permitted depositories, or qualified depositories using collateral consisting of:

(i) Government National Mortgage Association mortgage pools;

(ii) Federal Home Loan Mortgage Corporation mortgage pools;

(iii) Federal National Mortgage Corporation mortgage pools;

(iv) Small Business Administration loan pools; or

(v) other investments authorized by this section;

(d) commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, which has a remaining term to maturity of:

(i) 270 days or fewer for paper issued under 15 U.S.C. Sec. 77c(a)(3); or

(ii) 365 days or fewer for paper issued under 15 U.S.C. Sec. 77d(2);

(e) bankers' acceptances that:

(i) are eligible for discount at a Federal Reserve bank; and

(ii) have a remaining term to maturity of 270 days or fewer;

(f) fixed rate negotiable deposits issued by a permitted depository that have a remaining term to maturity of 365 days or fewer;

# PiperJaffray®

71 South Wacker Drive; 24<sup>th</sup> Floor; Chicago, IL 60606  
Tel: 312 267-5163 | Tel: 800 333-6000 | Fax: 312 267-5155  
Piper Jaffray & Co. Since 1895. Member SIPC and NYSE.

May 17, 2016

Ms. Ann Pedroza  
Utah Money Management Council  
Utah Securities Division  
160 East 300 South, 2<sup>nd</sup> Floor  
P.O. Box 146760  
Salt Lake City, UT 84114-6760

Dear Ms. Pedroza:

I am writing you to request an exception to Money Management Council Rule 16-6(B)(2) requiring the maintenance of an office and a resident principal in Utah; or alternatively ask that the Money Management Council consider amending the rule to accept Piper Jaffray & Co. as a Certified Dealer and myself as an Agent. I feel this request is warranted due to the fact that Piper Jaffray and I can satisfy all Certified Dealer criteria with the exception of maintaining an office and a resident principal in Utah. Although I do not live, nor does Piper Jaffray currently have an office in Utah, I have several business relationships and my entire immediate family resides within the state. These relationships require me to visit Utah frequently.

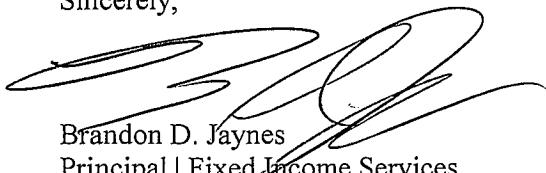
As you may be aware, Piper Jaffray & Co. was a Certified Dealer for some time in 2015 but was required to withdraw as a Certified Dealer when the Salt Lake City office was closed. As such, Piper Jaffray is aware of and is prepared to comply with all of the other conditions regarding becoming a Certified Dealer.

I have been encouraged by multiple Utah Public Treasurers to get certified. However, at this time, it would be difficult for my wife and me to relocate to Utah because we have 3 young children that have integrated into their school systems and social activities. Despite the geographic limitation, I continue to be committed to strengthening my existing relationships and building new ones in my homeland.

On the following page, I have included some information regarding my history and current business connections in Utah. If you need any additional information regarding myself or Piper Jaffray, please don't hesitate to contact me at the phone number or email listed below.

I hope this letter finds you well, and thank you for your consideration.

Sincerely,



Brandon D. Jaynes  
Principal | Fixed Income Services  
Ph.: 312-267-5163  
brandon.d.jaynes@pjc.com

BDJ/ays

Attachment

## **Brandon Jaynes**

Piper Jaffray & Co.  
Principal | Fixed Income Services  
71 South Wacker Drive, 24<sup>th</sup> Floor  
Chicago, IL 60606  
Ph. 312-267-5163  
Email: brandon.d.jaynes@pjc.com

### **Utah History**

- Born October 21, 1976 at LDS Hospital in Salt Lake City.
- Grew up in Sandy and Draper.
- Attended Crescent Elementary, Crescent Middle, and Alta High Schools.
- Started first "career job" at Discover Financial Services in Sandy.
- Bought first home in West Jordan in 2001.
- Was a top producer at DFS, accepted a promotion, and moved to Chicago, IL in 2002.
- All of my immediate family still resides in Utah
- Family is part owner of a houseboat located in Bullfrog Marina at Lake Powell which we visit annually.

### **Professional History**

- 1999-2007 Discover Financial Services
- 2008-Present Piper Jaffray & Co.  
\*\*Started with Griffin, Kubik, Stephens and Thompson which was acquired by Bank of Montreal Capital Markets in 2008 (formed BMO Capital Markets GKST) which was acquired by Piper Jaffray & Co. in 2015.
- Hold Series 24, 7, and 63 licenses

### **Existing Utah Clients**

- Zions Bank
- Contango Capital Advisors
- Moreton Asset Management
- Deseret Mutual Benefit Administrators
- Heritage Holding Corporation
- Yellowstone Partners
- Prime Alliance Bank
- Alta Capital Management
- Shaw Group
- Heaton Financial